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SUBJECT: MEDIA REACTION: PRESIDENT CHEN SHUI-BIAN'S NEW  
YEAR'S DAY SPEECH

1. Summary: The top front-page story for almost all Chinese-language Taiwan dailies January 10 was the sudden corporate resignations and Prosecutors Office indictment of two top United Microelectronics Corp (UMC) executives Monday resulting from alleged illegal investments in China. Another news story, but not running on front pages, was President Chen Shui-bian's warning about the potential risk for Taiwan posed by overly concentrating Taiwan investment into China, and his reiteration of the necessity of his "proactive management, effective opening" policy. Newspaper coverage also focused on PFP Chairman James Soong's intention to run in the year-end Taipei mayoral election.

The pro-unification "United Daily News" ran an exclusive news story on its page four that was topped with the headline: "The United States Returned [President Chen's] New Year's Day Address Draft Three Times? Presidential Office: [the Address] Was Delivered After Communication with the United States." The sub-headline added: "The Presidential Office Says [the Speech] Was Not Completed All at Once. The United States Once Had Doubts about [Chen's Proposed] Referendum on a New Constitution. [Taiwan's] First-ever National Security Report Has Been Delayed [Because] the United States Reportedly Has Concerns about `Attack Behavior' [in the Report]."

2. Several newspaper editorials focused on China's offer to send two pandas to Taiwan as a gift, while others continued to discuss President Chen's New Year's Day speech. Hsiang Chun, a research fellow at the ROC Society for Strategic Studies, analyzed the Chen Shui-bian administration's manipulation of the cross-strait situation following the 2004 presidential elections with the direct conclusion that Chen's New Year's Day speech is so destructive that it has made TECRO Chief David Lee's communications with Washington a "mission impossible." An editorial in the limited-circulation, conservative, pro-unification, English-language "China Post" criticized Chen's New Year's Day speech for disappointing Taiwan's business community while also angering both Beijing and Washington. An editorial in the limited-circulation, pro-independence, English-language "Taipei Times," however, supported Chen's new cross-strait economic policy (as advocated in his New Year's Day speech) and urged Chen to stick to it unbendingly. End summary.

A) "Why the United States Makes a Representation Against A-Bian's New Year's Day Address"

Hsiang Chun, a research fellow at the ROC Society for Strategic Studies, said in an opinion piece in the mass-circulated "Apple Daily" (1/10):

". Following the March 20 [presidential] elections in 2004, the Chen Shui-bian administration's manipulative approach toward the cross-strait situation were obviously done for his party's selfish interests only: On the one hand, Chen told [the Taiwan people] in a loud voice `not to worry [about cross-strait tension],' but on the other hand, he had [Vice President] Annette Lu refer to cross-strait [ties] as a `quasi-war state.' Likewise, Chen behaved in a way suggesting he was doing what Washington had requested that he do - namely, getting ready to resume dialogue with Beijing -- while in the meantime, he ordered [then Premier] Yu Shyi-kun to stand out front and publicly incite the United States to `fight against' mainland China. [Taipei] also provoked Beijing by saying `If you attack Taipei and Kaohsiung, I will attack Shanghai.' . From the fact that the local TV network, TVBS, was oppressed [by the Government Information Office] to President Chen's talking about [launching] `a referendum on [Taiwan's] new Constitution' in his New Year's Day address, all [facts] prove that Taiwan ought to be classified as `a nation that is not yet completely democratized.' No wonder that [Beijing's] `People's Liberation Army Daily' emphasized again in a recent editorial that `[Beijing] should stick to [the objective of] preparing for military conflict [with Taiwan]; the preparation for military conflict is the top, most practical and most urgent strategic task for the People's Liberation Army.' In light of this, one finds it not too difficult to understand why the destructive power of A-Bian's New Year Day's address has almost made [the job of

TECRO Chief] David Lee a `mission impossible.'"

B) "U.S. to Rebuke Chen Again"

The conservative, pro-unification, English-language "China Post" [circulation: 30,000] editorialized (1/10):

"Recent messages from Washington suggest that President Chen Shui-bian is raising eyebrows there on the watch list again. In his New Year's Day speech, the president revived his pro-independence agenda - to write a new Taiwan Constitution this year, put it for referendum the next and full implementation in 2008 when he term ends. He also called for tighter control over Taiwan's investments in the mainland.

"Before this, he had said the agenda was `wishful thinking'; he couldn't do it, even his predecessor couldn't do it. The about face has angered not just Taiwan's business community, who want closer economic ties with the mainland, but Beijing and Washington; both dread changes in Taiwan's status quo. .

"But while the U.S. suspects Chen is playing the same old China-bashing game for domestic consumption, it will exert pressure behind the scenes to rein in his pro-sovereignty fervor, if only to placate Beijing. Chen approval rating has plunged to 12 percent. Can he withstand a U.S. rebuke?"

C) "Chen Is His Own Worst Enemy"

The pro-independence, English-language "Taipei Times" [circulation: 20,000] noted in an editorial (1/10):

"In the wake of President Chen Shui-bian's New Year's day speech, there has been much talk about his new cross-strait economic policy of `active management, effective opening.' The speech suggests that a Cabinet reshuffle will follow the Lunar New Year, as has almost become traditional. .

"Based on past performance, Chen's new determination to better manage cross-strait economic ties prompts mixed feelings. Chen will hopefully become a fearless and charismatic leader who is undaunted by setbacks and unafraid to admit mistakes, rather than a politician who only pursues short-term advantage and bows to pressure from financial groups and trade associations. Such short-sighted behavior is exactly what has made DPP supporters lose faith in his promises.

"Chen and his party must admit that the DPP has lost the ideals it once had as a local party under Chen's leadership. As a result of Chen's weakness, the public has also begun to let down their guard toward China's `united front' strategies and military ambitions, with some even espousing an absurd desire to unify with China. What Taiwan needs is a determination to press on with reform and a more consistent implementation of policy. In this effort, Chen has no greater enemy than himself."

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